PUBLIC DISCLOSURE

August 24, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank of Red Bud
RSSD # 356949

115 West Market Street
Red Bud, Illinois 62278

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed, as an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

First State Bank of Red Bud meets the criteria for a satisfactory rating based upon an evaluation of the bank's overall lending performance. This conclusion is based on the bank's good distribution of loans to borrowers of different income levels, including low- and moderate-income (LMI) individuals. The overall geographic distribution of loans among all the census tracts is adequate. A substantial majority of the bank's loans were originated within the bank's assessment area. The bank's loan-to-deposit (LTD) ratio is adequate given the bank's size and the credit needs of its assessment areas. Lastly, no Community Reinvestment Act (CRA) related complaints were filed against the bank for this review period.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's interagency small bank examination procedures. The review period covered the period from the date of the bank's previous CRA evaluation on August 15, 2005, through August 24, 2009. The evaluation of the bank's performance relied on a statistical sample of residential real estate and consumer purpose loans. The sample of residential real estate loans was originated during the period January 1, 2009, through June 30, 2009. The sample of consumer purpose loans was originated during the period January 1, 2008, through June 30, 2009. These loan categories are considered the bank's primary lines of business based upon lending volume by number and dollar amount. The lending analysis evaluated the bank's distribution of loans by borrower income, the geographic distribution of loans among census tracts by income categories, lending within the bank's assessment area, and lending volume relative to bank deposits.

Two community contact interviews were performed to establish a performance context for the communities in which the bank operates and to better understand the credit needs of those communities. Information was obtained on the overall economic condition of the bank's assessment areas and how financial institutions meet any credit needs identified. Comments from the community contacts are addressed in the Description and Conclusions section of this analysis.

DESCRIPTION OF INSTITUTION[1]

First State Bank of Red Bud is a full-service retail bank offering both consumer and commercial loans and deposit products. The bank operates two full-service banking facilities in the state of Illinois. The main office is located in the city of Red Bud, Randolph County, Illinois, and the branch is located in the city of Belleville, St. Clair County, Illinois. Both offices are located in middle-income census tracts. In addition to being a full-service facility, each location offers both drive-up and walk-up accessibility, as well as a 24-hour full-service automated teller machine (ATM). Finally, the bank has one free-standing ATM that is also located in Red Bud.

[1] Any percentage row or column "Total" figure displayed throughout this evaluation that does not equal exactly 100 percent is strictly due to rounding differences, which are considered immaterial to overall performance conclusions.

As of June 30, 2009, the bank had total assets of $105.5 million, with gross loans and leases of $52.2 million, representing 49.5 percent of total assets. Deposits totaled $88.3 million as of this same period. The composition of the bank's loan portfolio is shown below.

Distribution of Total Loans (as of June 30, 2009)		
Credit Product Type	**Amount in $000s**	**Percentage of Total Loans**
Construction and Development	$ 5,379	10.3%
Commercial Real Estate	12,923	24.8%
Multifamily Residential	4,261	8.2%
1-4 Family Residential - Revolving	746	1.4%
1-4 Family Residential - Other	19,854	38.1%
Farmland	1,800	3.5%
Agricultural	620	1.2%
Commercial and Industrial	4,609	8.8%
Loans to Individuals	1,935	3.7%
Total Other Loans	26	<0.1%
TOTAL Gross Loans	**$ 52,153**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources are directed to loans secured by 1-4 family residential – other (38.1 percent), with the second largest volume of loans by dollar amount being commercial real estate (24.8 percent). However, based on a review of the bank's loan trial balance report, the largest volume of loans by number is residential real estate lending (48.7 percent), with the second largest by number being consumer purpose loans (31.6 percent).

As part of this evaluation under the CRA, the bank's performance was evaluated in relation to the performance of local competitors. Three financial institutions were determined to be local competitors similarly situated to First State Bank of Red Bud. These three financial institutions had asset sizes ranging from $34.8 million to $65.6 million as of June 30, 2009.

The bank received a satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank as of August 15, 2005.

DESCRIPTION OF THE INSTITUTION'S ASSESSMENT AREAS

The bank has designated two contiguous assessment areas for purposes of this CRA evaluation.

The Red Bud assessment area consists of all nine census tracts that comprise Randolph County, Illinois. Randolph County consists of eight middle-income census tracts and one upper-income census tract and is located in the non-metropolitan portion of the state of Illinois (non-MSA Illinois).[2] Appendix A contains a listing of the census tracts that comprise the bank's assessment areas.

The Monroe/St. Clair assessment area consists of all three censuses that comprise Monroe County, Illinois, and 25 census tracts in St. Clair County, Illinois. The bank elected to delineate only a portion of St. Clair County due to lending activity and branch location. The remaining census tracts were not arbitrarily excluded. Both Monroe and St. Clair counties are part of the St. Louis, Missouri-Illinois metropolitan statistical area #41180 (St. Louis, MO-IL MSA). The Monroe/St. Clair assessment area is comprised of three moderate-income census tracts, 22 middle-income census tracts, and three upper-income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS[4]

First State Bank of Red Bud meets the criteria for a satisfactory rating based upon its lending performance as measured by the CRA small bank performance standards. This lending performance was based upon a review of statistical samples of residential real estate and consumer purpose loans. These loan categories are considered the bank's primary lines of business. The CRA small bank performance standards evaluate the following five criteria as applicable:

- The bank's level of lending inside the designated assessment areas.
- The bank's average loan-to-deposit ratio.
- The bank's distribution of loans by borrower income.
- The bank's geographic distribution of loans.
- A review of written complaints.

The remaining sections of this evaluation are based upon an analysis of the bank's lending performance under these performance criteria.

There is a disparity between the bank's presence in the two assessment areas. The main branch of the bank has been part of the Red Bud community for many years, while the branch in Belleville was only recently opened and is not yet an established presence in that area. Because of this, greater weight is placed on its performance in the Red Bud assessment area.

[2] Census tracts are classified by income level. See the glossary in Appendix B for the definitions of low-, moderate-, middle-, and upper-income census tracts.
[4] Statistical/demographic information cited in this evaluation, unless otherwise stated, is taken from 2000 United States Census Bureau data.

Lending in the Assessment Area

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans extended inside and outside the bank's assessment area.

Lending Inside and Outside of the Bank's Assessment Area			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
2009 Residential Real Estate	80 94.1%	5 5.9%	**85** **100%**
	$ 9,616 91.7%	$ 875 8.3%	**$ 10,491** **100%**
2008-2009 Consumer Purpose	89 90.8%	9 9.2%	**98** **100%**
	$ 662 87.6%	$ 94 12.4%	**$ 756** **100%**
TOTAL	**169** **92.3%**	**14** **7.7%**	**183** **100%**
	$ 10,278 **91.4%**	**$ 969** **8.6%**	**$ 11,247** **100%**

As noted above, a substantial majority of loans sampled were extended to borrowers that reside in the bank's assessment areas. In total, 92.3 percent of all loans sampled were extended inside the bank's assessment area, which accounted for 91.4 percent of the dollar volume of total loans. Real estate loans exhibited the highest concentration of lending in the assessment area by number and dollar volume. In conclusion, the bank exceeds the standards for satisfactory performance under this criterion.

Loan-to-Deposit (LTD) Ratio

Another indication of the bank's overall lending activity is its LTD ratio. The following table displays the bank's quarterly average LTD ratio in comparison to that of local competitors.[5] These financial institutions were determined to be similarly situated to First State Bank of Red Bud based on their proximity, branch structure, and loan product mix.

[5] The average LTD ratio represents a 16-quarter average dating back to the bank's last CRA examination (September 30, 2005, through June 30, 2009).

Loan-to-Deposit Ratio Analysis			
Name	**Asset Size**[6]	**Headquarters**	**Average LTD Ratio**
First State Bank of Red Bud	$105,501	Red Bud, IL	73.3%
Regional Bank Competitors	$34,844 $46,157 $65,613	Red Bud, IL Prairie Du Rocher, IL Chester, IL	76.9% 76.3% 45.6%

The bank's LTD ratio is considered adequate given the size of the bank and the credit needs of its assessment areas. The average LTD ratio for this evaluation was 73.3 percent. At the previous CRA examination, the quarterly average LTD ratio was 47.8 percent, representing an increase of approximately 53.3 percent. The bank's performance under this criterion was compared to three financial institutions operating in Randolph County[7]. For the period ending June 30, 2009, the assets of these institutions ranged from $34.8 million to $65.6 million and their average LTD ratios ranged from 45.6 to 76.9 percent. The bank meets the standards for satisfactory performance under this criterion.

Lending to Borrowers of Different Incomes

Overall, the bank's distribution of loans by borrower income is satisfactory. In the Red Bud assessment area, the bank's distribution of residential real estate loans to low- and moderate-income residents is considered poor, while the distribution of residential real estate loans to LMI borrowers in the Monroe/St. Clair assessment area appears reasonable. For both assessment areas, the distribution of consumer purpose loans is considered excellent.

A detailed discussion of the bank's lending to borrowers of different incomes can be found in the Red Bud assessment area and Monroe/St. Clair assessment area sections that follow.

Geographic Distribution of Loans

Overall, the bank's distribution of loans by geography is poor. The geographic distribution of loans criterion evaluates the bank's distribution of loans among the census tracts within the assessment area by the income level of each census tract, with an emphasis on loans in LMI census tracts. There are no LMI census tracts in the Red Bud assessment area; therefore, a detailed analysis of the geographic distribution of loans is not as meaningful for evaluating this criterion. In the Monroe/St. Clair assessment area, which includes three moderate-income census tracts, the geographic distribution of loans is poor.

A detailed discussion of the bank's geographic distribution of loans can be found in the Monroe/St. Clair assessment area section that follows.

[6] Asset figures in this table represent total assets as of June 30, 2009 (in $000s).
[7] The St. Clair County branch is in the process of being sold, therefore only competitors operating within Randolph County were compared.

Review of Complaints

No CRA-related complaints were received for this institution during the time frame used for this evaluation (August 15, 2005, through August 24, 2009).

Additional Information

During the Consumer Affairs examination conducted concurrently with this CRA evaluation, a fair lending analysis was performed to assess the bank's compliance under Regulation B (Equal Credit Opportunity) and the Fair Housing Act. The analysis concluded that the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations for the products and services reviewed.

NONMETROPOLITAN STATISTICAL AREA

DESCRIPTION AND CONCLUSIONS: RED BUD ASSESSMENT AREA

The Red Bud assessment area is a part of non-MSA Illinois. It is comprised of all nine census tracts in Randolph County, Illinois. Appendix A contains a listing of the census tracts within this assessment area. Based on 2000 census data, the total population of the Red Bud assessment area was 33,893. According to the FDIC market share data as of June 30, 2008, the bank is one of ten financial institutions in Randolph County. The bank is ranked third in terms of deposits in the assessment area. Because of its significant presence in Randolph County, greater emphasis is placed on the bank's lending performance in this assessment area.

The following table reflects the number of census tracts within the assessment area by each income category and the corresponding family populations within those census tracts.

Assessment Area Geographical Information by Income Category						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area Census Tracts	0 0.0%	0 0.0%	8 88.9%	1 11.1%	0 0.0%	**9** **100%**
Family Population	0 0.0%	0 0.0%	7,696 91.9%	676 8.1%	0 0.0%	**8,372** **100%**

As shown in the table above, the Red Bud assessment area contains eight middle-income and one upper-income census tracts. There are no low- or moderate-income census tracts within this assessment area. The bank's main office is located in this assessment area in a middle-income census tract. The largest portion of the assessment area family population resides in middle-income census tracts, which accounts for 91.9 percent of the total family population.

The following table displays the distribution of assessment area families by income level compared to the state of Illinois and non-MSA Illinois.

Assessment Area Family Population by Income Level						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	1,359 16.2%	1,583 18.9%	2,174 26.0%	3,256 38.9%	0 0.0%	**8,372** **100%**
State of Illinois	622,063 19.9%	566,641 18.1%	714,060 22.8%	1,222,554 39.1%	0 0.0%	**3,125,318** **100%**
Non-MSA Illinois	80,399 17.8%	86,935 19.2%	110,129 24.3%	174,867 38.7%	0 0.0%	**452,330** **100%**

Although the Red Bud assessment area contains only middle- and upper-income census tracts, LMI families comprise 35.0 percent of the assessment area family population. The assessment area has a slightly lower percentage of LMI families in comparison to the state of Illinois (38.0 percent) and non-MSA Illinois (37.0 percent).

Based on the 2000 census data, the median family income for the Red Bud assessment area was $44,771, compared to $55,545 for the state of Illinois and $43,613 for non-MSA Illinois. For 2009, HUD estimates the median family income to be $54,400 for non-MSA Illinois, and for 2008, the median family income was $51,900.

The Red Bud assessment area affordability ratio was 57.0 percent compared to 36.0 percent for the state of Illinois and 52.0 percent for non-MSA Illinois. The 2000 median gross rent for this assessment area was $393 per month compared to $605 for the state of Illinois and $409 per month for non-MSA Illinois. The higher affordability ratio and median gross rent, when compared to non-MSA Illinois and the state of Illinois, are an indication that housing in the Red Bud assessment area is more affordable. The 2000 median housing value for the Red Bud assessment area was $64,049, with the median value in the state of Illinois at $127,800 and $67,278 in non-MSA Illinois.

The major employment sectors in the assessment area include manufacturing (28.6 percent of all employees), health care and social assistance (19.1 percent), retail trade (13.7 percent), and accommodation and food service (7.3 percent).[8] The 2008 annualized non-seasonally adjusted unemployment rate for the Red Bud assessment area is 7.0 percent, which is slightly higher than the state of Illinois unemployment rate of 6.5 percent.[9]

The community contact in the Red Bud assessment area indicated that the area has had several layoffs in the manufacturing and healthcare industries. The contact stated that the local economy has felt the effects of the economic downturn experienced elsewhere in the nation.

[8] Source: U.S. Census Bureau; 2007 County Business Patterns.
[9] Source: Bureau of Labor Statistics.

Lending to Borrowers of Different Incomes

The following table shows the distribution of residential real estate loans in the Red Bud assessment area by income level of the borrower in relation to the percentage of families in that income category in the assessment area.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower

Loan Type	Borrower Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2009 Residential Real Estate	4	10	12	31	0	**57**
	7.0%	17.5%	21.1%	54.4%	0.0%	**100%**
	$ 358	$ 854	$ 1,282	$ 3,430	$ -	**$ 5,924**
	6.0%	14.4%	21.6%	57.9%	0.0%	**100%**
Family Population	16.2%	18.9%	26.0%	38.9%	0.0%	**100%**

The preceding table indicates that the bank originated 24.5 percent of its residential real estate loans (20.4 percent of dollar volume) to LMI borrowers, with LMI borrowers comprising 35.1 percent of the family population in the assessment area. The bank's level of lending to moderate-income borrowers closely approximates the level of moderate-income families in the assessment area, shown above to be 17.5 and 18.9 percent, respectively. However, the bank only extended 7.0 percent of its residential real estate loans to low-income borrowers, while low-income families account for 16.2 percent of the population.

The low level of residential real estate lending to low-income families is considered poor, although the distribution of these loans to moderate-income families is considered adequate. The community contact stated that the assessment area has had significant layoffs, mainly affecting manufacturing companies, and manufacturing is the assessment area's major industry. According to the contact, many of the affected laborers were categorized as LMI.

While consideration was given to the economic issues in the assessment area, as described by the community contact, the borrower income distribution of residential real estate loans is not commensurate with the percentage of the family population and is considered poor.

The following table shows the distribution of consumer purpose loans by income level of the borrower compared to the household population percentages in that income category within the Red Bud assessment area.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2008-2009 Consumer Purpose	15 23.8%	18 28.6%	14 22.2%	16 25.4%	0 0.0%	**63** **100%**
	\$ 89 18.5%	\$ 82 17.0%	\$ 152 31.5%	\$ 159 33.0%	\$ 0 0.0%	**\$ 482** **100%**
Household Population	20.8%	15.6%	20.8%	42.8%	0.0%	**100%**

The analysis revealed that the distribution of the bank's consumer purpose loans to borrowers of different income levels within the Red Bud assessment area is excellent. The bank extended 52.4 percent of consumer purpose loans (35.5 percent of dollar volume) to LMI borrowers, which exceeds the LMI household population of 36.4 percent. The bank achieved this level of lending even though 10.0 percent of households live below the poverty level.

Overall, for the two loan products analyzed in the Red Bud assessment area, the poor performance in real estate lending is substantially offset by the excellent borrower distribution of the bank's consumer loans. Therefore, in this performance category, the bank's performance is deemed to be adequate penetration among individuals of different income levels, including LMI individuals.

Geographic Distribution of Loans

The analysis of the geographic distribution of loans evaluates the bank's distribution of loans among census tracts within the Red Bud assessment area by income level. The CRA places specific emphasis on the bank's performance in LMI census tracts. However, as previously noted, the Red Bud assessment area does not include any LMI census tracts and is comprised of middle- and upper-income census tracts only. Therefore, a detailed analysis of the distribution of the bank's lending within the Red Bud assessment area by geographic income level is not as meaningful for evaluating the bank's performance under this criterion. Nevertheless, the dispersion of loan products sampled within the eight middle-income and one upper-income census tracts that comprise the assessment area was reviewed. The analysis indicated that loans were adequately dispersed and consistent with the population in these areas and the location of the branches.

METROPOLITAN STATISTICAL AREA

DESCRIPTION AND CONCLUSIONS: MONROE/ST. CLAIR ASSESSMENT AREA

The Monroe/St. Clair assessment area is comprised of Monroe County in its entirety and only a portion of St. Clair County (25 of 55 census tracts). The bank elected to delineate only a portion of St. Clair County due to lending activity and branch location. The remaining census tracts were not arbitrarily excluded. Based upon 2000 census data, the total population of the Monroe/St. Clair assessment area was 167,917, which accounts for 6.2 percent of the population of the entire St. Louis, MO-IL MSA.

According to the Federal Deposit Insurance Corporation (FDIC) market share data as of June 30, 2008, the bank is one of 30 financial institutions operating in Monroe and St. Clair counties, with a deposit market share of less than 0.1 percent. The bank is ranked 29th in terms of deposits in this assessment area.[10]

The following table reflects the number of census tracts within the Monroe/St. Clair assessment area by each income category and the corresponding family populations within those census tracts.

Assessment Area Geographical Information by Income Category						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area Census Tracts	0 0.0%	3 10.7%	22 78.6%	3 10.7%	0 0.0%	**28** **100%**
Family Population	0 0.0%	3,557 7.8%	36,522 79.8%	5,670 12.4%	0 0.0%	**45,749** **100%**

As shown in the table above, the Monroe/St. Clair assessment area contains three moderate-income, 22 middle-income, and three upper-income census tracts. There are no low-income census tracts within this assessment area. The branch is located in a middle-income census tract in this assessment area. The largest portion of the Monroe/St. Clair assessment area total family population (36,522) resides in middle-income census tracts, which accounts for 79.8 percent of the total family population. The three moderate-income census tract accounts for 7.8 percent of the assessment area family population.

[10] The FDIC makes information regarding deposit market share available on its website, updated as of June 30 of each year.

The following table displays the distribution of assessment area families by income level, compared to the entire counties of Monroe, St. Clair, the St. Louis, MO-IL MSA, as well as the state of Illinois according to the 2000 census data.

Assessment Area Family Population by Income Level						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	7,498 16.4%	8,543 18.7%	11,701 25.6%	18,007 39.4%	0 0.0%	**45,749** **100%**
State of Illinois	622,063 19.9%	566,641 18.1%	714,060 22.8%	1,222,554 39.1%	0 0.0%	**3,125,318** **100%**
St. Louis, MO-IL MSA	137,988 19.4%	131,220 18.4%	161,155 22.6%	282,274 39.6%	0 0.0%	**712,637** **100%**

As indicated in the prior table, there are no low-income census tracts in the Monroe/St. Clair assessment area. However, as shown in the table above, families from all of the income categories are found in the assessment area. LMI families make up 35.1 percent of the assessment area's family population. The Monroe/St. Clair assessment area has a slightly lower percentage of LMI families in comparison to the state of Illinois and the St. Louis, MO-IL MSA. LMI families comprise 38.0 percent of the state of Illinois and 37.8 percent of the St. Louis, MO-IL MSA.

Based on the 2000 census data, the median family income of the Monroe/St. Clair assessment area was $54,529, compared to $55,545 for the state of Illinois and $53,435 for the St. Louis, MO-IL MSA. For 2009, the Department of Housing and Urban Development (HUD) estimates the median family income to be $67,900 for the St. Louis, MO-IL MSA. For 2008, the median family income was $65,000.

The assessment area has a similar percentage of owner-occupied housing units (66.5 percent) compared to the entire St. Louis, MO-IL MSA (66.3 percent). The percentage of owner-occupied units for Monroe County, St. Clair County, and the state of Illinois was 76.7, 62.1, and 63.2 percent, respectively. The median housing value in the assessment area was $89,603, compared to $127,800 for the state of Illinois and $94,895 for the St. Louis, MO-IL MSA. The 2000 median gross rent was $532 per month for the Monroe/St. Clair assessment area compared to $605 for the state of Illinois and $522 per month for the St. Louis, MO-IL MSA. The assessment area affordability ratio[11] was 50.0 percent compared to 36.0 percent for the state of Illinois and 46.0 percent for the St. Louis, Mo-IL MSA. Finally, the median age of housing stock for the assessment area was 33 years compared to 38 years for the state of Illinois and 35 for the St. Louis, MO-IL MSA.

[11] This figure is calculated by dividing the median household income by the median housing value; it represents the amount of single family owner-occupied housing that a dollar of income can purchase for the median household in the geography. Values closer to 100 percent indicate greater affordability.

The major employment sectors in the assessment area include health care and social assistance (17.2 percent of all employees), retail trade (17.2 percent), accommodation and food service (13.2 percent), and wholesale trade (7.2 percent).[12] The 2008 annualized non-seasonally adjusted unemployment rate for Monroe County was 5.4 percent and was 7.9 percent for St. Clair County. For the St. Louis, MO-IL MSA, the 2008 annualized non-seasonally adjusted unemployment rate was 6.6 percent, with the state of Illinois rate at 6.5 percent.[13]

Lending to Borrowers of Different Incomes

The borrower distribution performance criterion evaluates the bank's loan originations to borrowers of different income levels. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the most recent median family income figure as estimated by HUD. The 2009 HUD estimated median family income for both Monroe and St. Clair counties is $67,900. For 2008, the median family income was $65,000. These figures were used in categorizing borrowers into income classifications based on when a loan was originated.

The following table shows the distribution of residential real estate loans in the assessment area by income level of the borrower in relation to the percentage of families in that income category in the assessment area.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower

Loan Type	Borrower Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2009 Residential Real Estate	2 8.7%	4 17.4%	5 21.7%	12 52.2%	0 0.0%	**23** **100%**
	$ 289 7.8%	$ 516 14.0%	$ 867 23.5%	$ 2,020 54.7%	$ 0 0.0%	**$ 3,692** **100%**
Family Population	16.4%	18.7%	25.6%	39.4%	0.0%	**100%**

The preceding table indicates that the bank originated 26.1 percent of its residential real estate loans (21.8 percent of dollar volume) to LMI borrowers, with LMI borrowers comprising 35.1 percent of the family population in the assessment area. The bank's level of lending to moderate-income borrowers closely approximates the level of moderate-income families in the assessment area, shown above to be 17.4 and 18.7 percent, respectively. However, the bank only extended 8.7 percent of its residential real estate loans to low-income borrowers, while low-income families account for 16.4 percent of the population. Overall, the distribution of residential real estate loans to low-income borrowers is considered poor, while the distribution of

[12] Source: U.S. Census Bureau: 2007 County Business Patterns
[13] Source: Bureau of Labor Statistics.

loans to moderate-income borrowers is considered adequate. Overall, the distribution of residential real estate loans by borrower income is reasonable.

The following table shows the distribution of consumer purpose loans by income level of the borrower compared to the household population percentages in that income category within the assessment area.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2008-2009 Consumer Purpose	7 26.9%	13 50.0%	5 19.2%	1 3.8%	0 0.0%	**26** **100%**
	$ 59 32.6%	$ 76 42.0%	$ 34 18.8%	$ 12 6.6%	$ 0 0.0%	**$ 181** **100%**
Household Population	20.3%	17.0%	20.3%	42.4%	0.0%	**100%**

The bank originated 76.9 percent of its consumer purpose loans (74.6 percent of dollar volume) to LMI borrowers, with LMI households comprising 37.3 percent of the population. The bank's lending performance far exceeded the distribution of households at both the low- and moderate-income levels. The bank extended 26.9 percent of its consumer purpose loans to low-income borrowers while low-income households comprise 20.3 percent of the population. The bank extended 50.0 percent of its consumer purpose loans to moderate-income borrowers while moderate-income households comprise 17.0 percent of the population. The distribution of the bank's consumer purpose loans to borrowers of different incomes within the Monroe/St. Clair assessment area is excellent.

Overall, for the two loan products analyzed, the borrower distribution of the bank's loans reflects good penetration among individuals of different income levels, including LMI individuals. The distribution of residential real estate loans to LMI individuals was adequate, and the distribution of consumer loans to LMI individuals was excellent. The Monroe/St. Clair assessment area lending meets the standard for satisfactory performance under this criterion.

Geographic Distribution of Loans

The geographic distribution of loans in the Monroe/St. Clair assessment area is also considered in evaluating lending performance. As noted earlier, the Monroe/St. Clair assessment area contains three low-income, 22 middle-income, and three upper-income census tracts. Loans are evaluated under this criterion based upon the distribution among census tracts by income category, compared to applicable demographic information. The following table displays the geographic distribution of the bank's residential real estate lending, in comparison to owner-occupied housing statistics for the assessment area.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Geography						
Loan Type	**Geography Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2009 Residential Real Estate	0 0.0%	0 0.0%	21 91.3%	2 8.7%	0 0.0%	**23** **100%**
	$ 0 0.0%	$ 0 0.0%	$ 3,349 90.7%	$ 0 0.0%	$ 0 0.0%	**$ 188** **100%**
Owner-Occupied Housing	0.0%	7.1%	79.1%	13.8	0.0%	**100%**

As illustrated in the table above, the bank did not originate any residential real estate loans in the three moderate-income census tracts located in the Monroe/St. Clair assessment area. As noted above, 7.1 percent of the owner-occupied units in this assessment area are located in those moderate-income census tracts. While consideration was given to the competition in this assessment area and the recency of the branch being opened, the geographic distribution of residential real estate loans is not commensurate with the percentage of owner-occupied housing within the three moderate-income census tracts and is considered poor.

The geographic distribution of consumer purpose loans is displayed in the following table.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Geography						
Loan Type	**Geography Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2008-2009 Consumer Purpose	0 0.0%	1 3.8%	25 96.2%	0 0.0%	0 0.0%	**26** **100%**
	$ 0 0.0%	$ 3 1.7%	$ 178 98.3%	$ 0 0.0%	$ 0 0.0%	**$ 181** **100%**
Household Population	0.0%	9.1%	79.0%	12.0%	0.0%	**100%**

The bank originated 3.8 percent of its consumer purpose loans in the three moderate-income census tracts, which represents 1.7 percent by dollar volume. By comparison, 9.1 percent of households live in moderate-income census tracts. Since the bank only extended one consumer purpose loan in moderate-income census tracts, mitigating factors were considered.

The lone branch office in the Monroe/St. Clair assessment area is in a middle-income census tract, and the bank does not have any locations within any of the moderate-income census tracts. This branch has only been opened since June 2008, and there is heavy competition in this assessment area. Despite these mitigating factors, the bank's performance in extending consumer purpose loans in the moderate-income census tracts is considered poor.

Overall, for the two loan products analyzed, the geographic distribution of the bank's loans reflects poor penetration among geographies with different income levels.

Appendix A

Listing of Census Tracts in CRA Assessment Area				
County	**Census Tract Number**	**Census Tract Income Category**	**MSA**	**Contains Bank Office**
St. Clair	5016.03	Moderate	41180	No
St. Clair	5017.00	Moderate	41180	No
St. Clair	5033.01	Moderate	41180	No
Monroe	6002.00	Middle	41180	No
Monroe	6003.00	Middle	41180	No
St. Clair	5015.01	Middle	41180	No
St. Clair	5015.02	Middle	41180	No
St. Clair	5016.01	Middle	41180	No
St. Clair	5016.02	Middle	41180	No
St. Clair	5018.00	Middle	41180	No
St. Clair	5019.00	Middle	41180	No
St. Clair	5032.02	Middle	41180	No
St. Clair	5032.03	Middle	41180	No
St. Clair	5033.04	Middle	41180	Yes
St. Clair	5033.21	Middle	41180	No
St. Clair	5033.31	Middle	41180	No
St. Clair	5033.32	Middle	41180	No
St. Clair	5034.02	Middle	41180	No
St. Clair	5034.05	Middle	41180	No
St. Clair	5038.00	Middle	41180	No
St. Clair	5039.01	Middle	41180	No
St. Clair	5039.02	Middle	41180	No
St. Clair	5040.01	Middle	41180	No
St. Clair	5040.02	Middle	41180	No
St. Clair	5043.03	Middle	41180	No
Randolph	9505.00	Middle	N/A	No
Randolph	9506.00	Middle	N/A	No
Randolph	9507.00	Middle	N/A	No
Randolph	9508.00	Middle	N/A	Yes
Randolph	9509.00	Middle	N/A	No
Randolph	9510.00	Middle	N/A	No
Randolph	9511.00	Middle	N/A	No
Randolph	9513.00	Middle	N/A	No

Monroe	6001.00	Upper	41180	No
St. Clair	5032.11	Upper	41180	No
St. Clair	5033.22	Upper	41180	No
Randolph	9512.00	Upper	N/A	No

Appendix B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (ii) Distressed or underserved non-metropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
    - a. Rates of poverty, unemployment, and population loss; or
    - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small loan(s) to business (es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.